

**CALIFORNIA POLLUTION CONTROL FINANCING AUTHORITY
BOND FINANCING PROGRAM**

Meeting Date: April 15, 2014

Request for Initial Resolution

Prepared by: *Andrea Gonzalez*

Applicant:	Elite Energy Systems, LLC	Amount Requested:	\$40,000,000
		Application No.:	873(SB)
Project Location:	Merced and Stanislaus Counties	Initial Resolution No.:	14-01

Summary. Elite Energy Systems, LLC and/or its Affiliates (the “Company”) requests approval of an Initial Resolution for an amount not to exceed \$40,000,000 to finance the acquisition and installation of eight to twelve anaerobic digester systems at existing dairies located throughout Merced and Stanislaus Counties.

Borrower. Elite Energy Systems, LLC is an energy management company that has helped commercial and industrial energy users save on energy costs through ultra-clean combined heat and power (CHP), also known as cogeneration, systems. The Company has experience in designing, delivering, and installing CHP systems. The Company was organized in Delaware in 2008 and currently has 28 employees located at its offices in Carson City, Nevada.

The principal partners of the Company are as follows:

Gordon Smith	40%
Dwight Schar	48%
Douglas and Ann Smith	4%
Cynthia and Ed Skarbek	3%
Various (less than 3% each)	5%
Total:	<u>100%</u>

Legal Questionnaire. The Staff has reviewed the Company’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed in the Legal Status portion of the Application that raises questions concerning the financial viability or legal integrity of this applicant.

Project Description. The Company plans on financing the installation of eight to twelve anaerobic digester systems over the course of eighteen months. The anaerobic digesters will be installed at seven different locations at existing dairies throughout California’s Central Valley. Most of the dairies have been in existence for many years and none will be expanding their herds of cattle.

Volume Cap Allocation. The Company anticipates applying to the Authority for volume cap allocation in June of 2014.

Financing Details. The Company anticipates the issuance of negotiated tax exempt bonds.

Financing Team.

Underwriter: J.P. Morgan Securities LLC

Bond Counsel: Nossaman LLP

Issuer's Counsel: Office of the Attorney General

Staff Recommendation. Staff recommends approval of Initial Resolution No. 14-01 for Elite Energy Systems, LLC and/or its Affiliates for an amount not to exceed \$40,000,000.

Note: An Initial Resolution approval is not a commitment that the Board will approve a Final Resolution and bond financing of the proposed Project.

**RESOLUTION OF OFFICIAL INTENT TO ISSUE BONDS TO
FINANCE SOLID WASTE DISPOSAL/ANEROBIC DIGESTION FACILITIES FOR
ELITE ENERGY SYSTEMS, LLC AND/OR ITS AFFILIATES**

April 15, 2014

WHEREAS, the California Pollution Control Financing Authority (“Authority”), a public instrumentality, is authorized and empowered by the provisions of the California Pollution Control Financing Authority Act (“Act”) to issue bonds for the purpose of defraying the cost of facilities for the disposal of solid and liquid waste products, including anaerobic digestion facilities; and

WHEREAS, Elite Energy Systems, LLC, a limited liability company (“Applicant”), and/or its Affiliates (as hereinafter defined) (collectively, “Company) have submitted an application (the “Application) to the Authority requesting the Authority assist in financing anaerobic digestion facilities to be owned and operated by the Applicant (“Company”), which are expected to be comprised of the construction of anaerobic digester facilities related thereto (collectively, “Facilities”), and has presented an estimate of the maximum cost of such Facilities as shown in Exhibit “A” attached hereto; and

WHEREAS, the Authority desires to encourage the Company to provide anaerobic digestion facilities which will serve the public of the State; and

WHEREAS, the Authority deems it necessary and advisable to further the purposes of the Act that the Facilities be acquired at the earliest practicable date, but the Company requires satisfactory assurances from the Authority that the proceeds of the sale of bonds of the Authority will be made available to finance such Facilities; and

WHEREAS, the Company expects to incur or pay from its own funds certain expenditures in connection with the Facilities prior to the issuance of indebtedness for the purpose of financing costs associated with the Facilities on a long-term basis; and

WHEREAS, subject to meeting all the conditions set forth in this Resolution the Authority reasonably expects that debt obligations in an amount not expected to exceed \$40,000,000 will be issued and that certain of the proceeds of such debt obligations will be used to reimburse the Company for its prior expenditures for the Facilities; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Facilities with proceeds of a subsequent borrowing;

NOW, THEREFORE, BE IT RESOLVED by the California Pollution Control Financing Authority as follows:

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Section 1. The Authority finds and determines that the foregoing recitals are true and correct. For purposes of this Resolution, an “Affiliate” of the Applicant means any person or entity which meets the definition of “participating party” in the Act and controls, is controlled by, or is under common control with, the Applicant, as shown by the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through majority equity ownership, contract or otherwise.

Section 2. The Authority declares its official intent to issue, at one time or from time to time, an aggregate of up to \$40,000,000 principal amount of bonds of the Authority for the Facilities; including for the purpose of reimbursing to the Company costs incurred for the Facilities prior to the issuance of the bonds.

Section 3. The bonds will be payable solely from the revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into between the Authority and the Company in connection with the Facilities. Each bond shall contain a statement to the following effect:

“Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof or any local agency is pledged to the payment of the principal of, premium, if any, or any interest on this bond.”

Section 4. The bonds shall be issued subject to the conditions that (i) the Authority and the Company shall have first agreed to mutually acceptable terms for the bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the loan of the proceeds thereof to the Company; (ii) all requisite governmental approvals shall have first been obtained; (iii) a Final Resolution shall have been received from the Authority; and (iv) an allocation shall have been received from the California Debt Limit Allocation Committee.

Section 5. The Executive Director of the Authority is hereby directed to indicate the willingness of the Authority to proceed with and effect such financing in order to assist the Company by defraying the cost of the Facilities, subject to due compliance with all requirements of the law and the obtaining of all necessary consents and approvals and meeting all other requirements of the Authority.

Section 6. It is intended that this Resolution shall constitute “some other similar official action” towards the issuance of bonds within the meaning of Section 1.103-8(a)(5) of the Treasury Regulations and “official intent” within the meaning of Section 1.150-2 of the Treasury Regulations, each as applicable under Section 103 of the Internal Revenue Code of 1986, as amended. It is also intended that this statement of “official action” or “official intent” by the Authority shall continue in full force and effect even if this Resolution ceases to be effective for other purposes.

Section 7. This Resolution shall take effect immediately upon its passage and remain in full force and effect thereafter; provided that, subject to Section 6, this Resolution shall cease to be effective on **April 15, 2017** unless prior thereto the Authority specifically adopts a further resolution extending the effective date of this Initial Resolution, which it will do only after receiving a specific request for such action from the Company, accompanied by an explanation

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of the status of the project and any additional information requested by the Authority to supplement the Company's application.

EXHIBIT A

NUMBER: 873(SB)

LOCATIONS: James J. Stevinson Dairy
25079 River Road
Stevinson, CA 95374

Red Rock Dairy
3025 E Sandy Mush Rd.
Merced, CA 95341-9037

Red Top Jersey Dairy
21463 Rd. 4
Chowchilla, CA 93610

Nightengale Dairy
11655 Westside Blvd
Atwater, CA 95301

Mattos Jersey Dairy
100 Quinley Rd.
Merced, CA 95341

Brian Luis Dairy
10268 S Hwy 33
Gustine, CA

Fergundas Brothers #3
2582 Turlock Rd.
Snelling, CA 95369

TYPE: Solid Waste Disposal/Anaerobic Digestion Facilities

AMOUNT: Up to \$40,000,000